

AR46



Head Office: Toronto, Canada

# 1963

## ANNUAL REPORT



**THE COMMERCIAL LIFE ASSURANCE COMPANY OF CANADA**

GROWING WITH CANADA



**51st**  
**ANNUAL REPORT**  
**for the year ended**  
**DECEMBER 31, 1963**



## BOARD OF DIRECTORS - 1964

E. S. ALLIN, M.D., F.R.C.S. (Eng.) — *Edmonton*

Surgeon-in-Chief, The Allin Clinic

W. F. FOSTER — *Vancouver*

President, Evans, Coleman & Evans Limited

CHARLES GAVSIE, C.B.E., Q.C. — *Montreal*

Member, Howard, Cate, Ogilvy, Bishop, Cope, Porteous & Hansard

A. G. S. GRIFFIN, President — *Toronto*

President, Triarch Corporation Limited

JAMES E. MACNELLY — *Toronto*

Managing Director, The Commercial Life Assurance Company of  
Canada

R. K. MARTIN — *Toronto*

President, Martin, Lucas & Company Limited

MAJOR-GENERAL N. E. RODGER, C.B.E., C.D. — *Winnipeg*

Chairman, The Liquor Control Commission of the Province of  
Manitoba

LT.-GEN. G. G. SIMONDS, C.B., C.B.E., D.S.O., C.D., Vice-President — *Toronto*

President, Toronto Brick Company Limited

J. VAN DER VELDEN — *The Hague*

Member of the General Management of N.V. The Netherlands Insurance  
Company est. 1845

J. D. WOODS, JR. — *Toronto*

President, York Knitting Mills Limited

## OFFICERS AND EXECUTIVE STAFF - 1964

### *President*

A. G. S. GRIFFIN

### *Vice-President*

LIEUTENANT-GENERAL G. G. SIMONDS, C.B., C.B.E., D.S.O., C.D.

### *Managing Director*

JAMES E. MACNELLY

### *Secretary-Treasurer*

F. O. VOGELENZANG

### *Chief Accountant*

G. B. HOULDEN

### *Investment Superintendent*

L. E. JARVIS

### *Assistant Secretary and Chief Internal Auditor*

V. D. HARRIS

### *Data Research Officer*

R. GRIFFITH

### *Manager*

P. J. BLOK

### *Superintendent of Agencies*

D. E. MEREDITH, C.L.U.

### *Agency Administration Officer*

R. C. KIRKPATRICK, C.L.U.

### *Actuarial and Group Life Department*

A. A. BROMBACHER

M. A. LENTZE

### *Underwriting Department*

W. G. SCHAAP

### *Personnel & Internal Services Department*

J. L. BOLTON

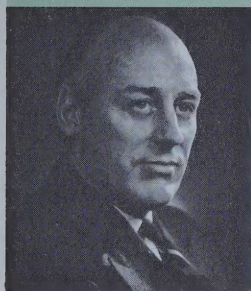
### *Medical Referees*

J. C. SINCLAIR, M.D.

J. M. OSWALD, B.Sc., M.D.

### *Consulting Actuary*

G. R. WALLACE, B.A., F.S.A.



## PRESIDENT'S REPORT

On behalf of your Directors, I submit to you herewith the fifty-first Annual Report of the Company.

It is my sad duty to record the death on the 29th of December 1963 of your Director Mr. E. B. H. Shaver, former Managing Director of the Company. For over forty years Mr. Shaver played an important part in the management of the affairs of the Commercial Life especially in its formative period. His contribution to the Company's progress and his dedication to its welfare will long be remembered.

The Hon. John J. Connolly upon his appointment as Government Leader in the Senate resigned as a Director of the Company. His wise counsel will be missed.

These vacancies will be filled at the Annual Meeting of the Company.

During the past year further progress was made in consolidating the operations of the Company and in improving the quality of new issued business. In my last year's Report I commented at some length on this aspect of the Company's business, pointing out that business which fails to remain on the books works to the detriment of company and policyholder alike. I am glad to report that there has been a gratifying decline in the volume of lapses which should be reflected favourably in the amount of our renewal premium income in future years.

The total of all types of business in force on the 31st of December 1963 amounted to \$112,244,392 as against \$110,352,148 for 1962. While premium income decreased slightly from \$1,844,807 to \$1,829,282, investment income for the past twelve months increased from \$761,055 to \$787,116.

While the results achieved by your Company during 1963 are better than in 1962, the Management has not lessened its determination to strengthen and improve the all-important agency division of the Company's operations, and with it the over-all rate of growth.

In the year under review, an encouraging resumption of growth has occurred in the Canadian economy. It is estimated that at the end of 1963 the Gross National Product increased over 1962 by 6%. The improvement has been accompanied by an equally encouraging rise in the number of persons employed. By last December a record 268,000 men and women had been added to the number of employed workers. Nevertheless chronic unemployment, with the wastage and demoralization arising from it, continues to be one of Canada's most serious unsolved economic problems.

During the year the foreign trade picture brightened considerably. The substantial but perhaps fortuitous sales of wheat to Russia contributed heavily to the result but, even so, there are signs that the country's regular export business will continue its upward trend and that Canada's competitive position in world markets is improving. When the final figures for all current foreign transactions covering both merchandise and non-merchandise items are available, the overall deficit is likely to be less than \$500 million, in sharp contrast to the record 1959 deficit of over \$1,500 million.

New life assurances written in Canada during the first eleven months increased by 8%. Industrial production for the first eleven months of the year



improved by 7.81% and the volume of retail trade maintained a satisfactory level.

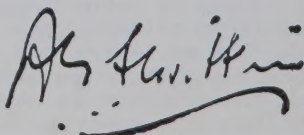
The outlook for 1964 is generally good. The terms of trade have turned in Canada's favour; world demand for many commodities which are such an important factor in total Canadian production has strengthened and labour and other costs in European markets have risen disproportionately, resulting in an improvement in Canada's competitive position.

In 1963 the Government introduced measures to increase domestic ownership of Canadian companies. While these measures were later either modified or withdrawn, they have created a climate of some uneasiness and even ill-will abroad, especially in the United States. While concern over the control of Canada's resources passing outside the country is understandable, it seems questionable for a country such as Canada which must inevitably depend so heavily on foreign capital for its development to adopt policies which discriminate against it. It is difficult to envisage in to-day's world the success of any policy which does not actively foster the freest possible exchange of people, money and goods; and it is hard to believe that the best course for Canada does not lie in developing the country to the utmost, using all the capital and skills available, whatever the source, and counting on the classical reverse of capital flow to redress the balance of national ownership in the long run. It is to be hoped that the last remaining discriminatory measure in Canada's 1963 budget, a penalizing withholding tax on dividends paid to foreign shareholders by companies without a defined Canadian degree of ownership will be removed shortly as expected.

These measures were followed by the proposal, in the United States, of an interest Equalization Tax, designed to correct the capital movements which have led to a deterioration in the balance of payments in that country. This tax, as originally announced would have had a serious effect on Canada's own balance of payments and following representations by the Canadian Government, the tax was amended in some important respects.

For the second time in close succession, we have emerged from a general election with a minority government which has found itself beset with a number of major problems. The most important of these is the vigorous re-birth of spirit in the Province of Quebec and the determination of its people to achieve a greater degree of influence and recognition within the Confederation. This has led to demand for a re-interpretation of the terms of Confederation itself. As is so often the case in the earlier stages of political restlessness, it is not easy to define the objectives or to devise remedies. This issue, which may well threaten the basic unity of the Canadian people, is certain to demand perhaps the highest degree of statesmanship yet needed in the long and difficult task of welding together a country which historically has had to overcome grievous handicaps to unity and integration.

Once again it is a pleasure on behalf of your Directors to thank the Managing Director, Mr. J. E. MacNelly, and the staff for their continued efforts in making this past year one of progress. A special word of thanks is due the field force on whose production of new business the continued growth of the Company so heavily depends.



Toronto, Ontario,  
February 24, 1964.

A. G. S. GRIFFIN,  
President.



## MANAGING DIRECTOR'S REPORT

New ordinary life insurance written, revived and increased, amounted to \$14,553,379. As a result of a system of measures taken in 1962 and 1963 in the framework of a quality approach, considerable improvement was brought about in our lapse figures, but higher surrenders and other terminations held down the increase of ordinary business to 3.2%.

The Group Section witnessed some rather important movement. Our largest creditors group contract was lost when ownership of the assured's company changed hands. On the other hand, a number of new group life contracts secured increased the group life portfolio by almost \$10,000,000. Including a modest increase in annuities, our total volume of business in force gained by almost \$2,000,000.

Further steps were taken towards integration of our data processing operation.

In the field, one new branch office was opened in Willowdale, Ontario.

In addition, a special representative attached to Head Office, was appointed to serve life and general agents in the greater Toronto area. Two branches were closed, being those at Winnipeg and Saskatoon.

Changes of management were made at Edmonton, Calgary and Hamilton.

Income from insurance premiums and annuity considerations aggregated \$1,829,282. Income from investments amounted to \$787,116, which includes that from the special portfolio mentioned in the President's report for 1962. Net interest earned was 5.15%.

Total benefits paid to policyholders amounted to \$1,131,252. For the second consecutive year death claims were somewhat in excess of expectations.

The actuarial reserve for the future benefit of policyholders increased by \$471,264 and now amounts to \$11,118,976.

Total assets of the Company rose to \$15,622,645 comprising in the main, bonds and debentures.

Out of the operating surplus for the year a transfer of \$26,858 was made to strengthen the actuarial reserve due to change in valuation basis, and the balance, \$95,602, was transferred to development reserve.

Toronto, Ontario,  
February 24, 1964.

J. E. MACNELLY,  
*Managing Director.*

# THE COMMERCIAL LIFE

## BALANCE SHEET

### ASSETS

	1963	1962
Bonds and debentures: (notes 1 and 2)		
Government and other public body .....	\$10,654,876	\$10,227,448
Public utility and corporation .....	2,929,787	2,495,857
	<u>\$13,584,663</u>	<u>\$12,723,305</u>
Stocks: (note 1)		
Preferred .....		\$ 32,812
Common .....	\$ 24,747	24,747
	<u>\$ 24,747</u>	<u>\$ 57,559</u>
Mortgages on real estate, and agreements for sale .....	\$ 957,247	\$ 1,182,651
Loans on the company's policies .....	774,494	748,392
Cash .....	46,190	93,288
Investment income due and accrued .....	204,563	191,077
Outstanding insurance premiums and annuity considerations (less estimated commission and loss on collection) .....	30,741	27,603
	<u>\$15,622,645</u>	<u>\$15,023,875</u>

### Notes:

1. The bonds and debentures (other than those referred to in note 2 below which are carried at cost) are carried at amortized cost and the stocks at cost. The investment and provisional reserves are more than sufficient to reduce these values to less than government authorized values.
2. The liability to the parent company, which is payable January 1, 1970, was incurred in connection with the purchase of certain securities which are subject to options to repurchase or re-sell. The liability bears interest at varying rates beginning January 1, 1964.

## STATEMENT OF REVENUE AND EXPENDITURE

for the year ended December 31, 1963

### Revenue:

	1963	1962
Premiums for insurance and annuity contracts .....	\$ 1,829,282	\$ 1,844,807
Settlement annuities .....	2,429	16,239
Investment income .....	787,116	761,055
Net profit (loss) on disposal of investments .....	(1,928)	2,552
Miscellaneous revenue .....	1,245	5,013
	<u>\$ 2,618,144</u>	<u>\$ 2,629,666</u>

### Expenditure:

For the benefit of policyholders —

Increase in reserve for future policy and annuity benefits	\$ 444,406	\$ 673,844
Mortality benefits .....	309,833	249,169
Endowments, disability benefits, annuities, cash values and interest .....	767,993	608,994
Dividends .....	53,426	51,588
	<u>\$ 1,575,658</u>	<u>\$ 1,583,595</u>

Administrative and agency expenses .....	875,301	920,153
Taxes, licenses and fees .....	44,725	42,390

\$ 2,495,684      \$ 2,546,138

Net balance for the year transferred to unallotted surplus .... 122,460      83,528

\$ 2,618,144      \$ 2,629,666



# ASSURANCE COMPANY OF CANADA

as at December 31, 1963

## LIABILITIES

	1963	1962
Actuarial reserve for policies and annuities .....	\$11,118,976	\$10,647,712
Liability to parent company (note 2) .....	2,471,420	2,471,420
Provision for uncompleted and unreported claims .....	101,991	60,015
Policyholders' deposits, including accrued interest .....	385,167	389,963
Premiums received in advance .....	12,613	15,359
Provision for dividends to policyholders .....	95,056	89,193
Taxes payable — estimated .....	16,206	16,206
Accounts payable .....	27,034	35,015
Sundry liabilities .....	3,070	3,482
	<u>\$14,231,533</u>	<u>\$13,728,365</u>

## Capital, reserves and surplus:

Capital stock — 14,848 shares of \$100 par value, 30% paid-up .....	\$ 445,440	\$ 445,440
Investment reserve .....	200,000	200,000
Provisional reserve .....	200,000	200,000
Development reserve .....	168,654	73,052
Shareholders' surplus .....	23,615	23,615
Unallotted surplus .....	353,403	353,403
	<u>\$ 1,391,112</u>	<u>\$ 1,295,510</u>
	<u>\$15,622,645</u>	<u>\$15,023,875</u>

## STATEMENT OF UNALLOTTED SURPLUS

for the year ended December 31, 1963

	1963	1962
Balance at beginning of year .....	\$ 353,403	\$ 353,403
Add net balance for the year transferred from statement of revenue and expenditure .....	122,460	83,528
	<u>\$ 475,863</u>	<u>\$ 436,931</u>
Deduct:		
Transfer to strengthen actuarial reserve due to change in valuation basis .....	\$ 26,858	\$ 10,476
Transfer to development reserve .....	95,602	73,052
	<u>\$ 122,460</u>	<u>\$ 83,528</u>
Balance at end of year .....	<u>\$ 353,403</u>	<u>\$ 353,403</u>

## STATEMENT OF SHAREHOLDERS' SURPLUS

for the year ended December 31, 1963

	1963	1962
Balance at beginning and end of year .....	<u>\$ 23,615</u>	<u>\$ 23,615</u>

## STATEMENT OF DEVELOPMENT RESERVE

for the year ended December 31, 1963

	1963	1962
Balance at beginning of year .....	\$ 73,052	
Add transfer from unallotted surplus .....	95,602	\$ 73,052
Balance at end of year .....	<u>\$ 168,654</u>	<u>\$ 73,052</u>

A. G. S. GRIFFIN,  
President

J. E. MacNELLY,  
Managing Director

## AUDITORS' REPORT TO THE SHAREHOLDERS AND POLICYHOLDERS

We have examined the balance sheet of The Commercial Life Assurance Company of Canada as at December 31, 1963 and the statements of revenue and expenditure, unallotted surplus, shareholders' surplus and development reserve for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances; the actuarial reserve for policies and annuities was determined and certified by the company's consulting actuary, Mr. G. R. Wallace, B.A., F.S.A.

Based upon our examination and the certificate of the actuary, we report that in our opinion the accompanying balance sheet and statements of revenue and expenditure, unallotted surplus, shareholders' surplus and development reserve have been drawn up so as to exhibit a true and correct view of the state of the company's affairs at December 31, 1963 and the results of its operations for the year ended on that date, according to the best of our information, the explanations given to us and as shown by the books of the company.

CLARKSON, GORDON & CO.  
*Chartered Accountants*

Toronto, Canada,  
February 18, 1964.

## ACTUARY'S CERTIFICATE

I hereby certify that the Net Reserve for policies of The Commercial Life Assurance Company of Canada as at 31st December 1963 amounting to Eleven Million, One Hundred and Eighteen Thousand, Nine Hundred and Seventy-Six Dollars (\$11,118,976) made up as follows:

Participating Section .....	\$3,782,747
Non-Participating Section .....	7,336,229

is not less than the reserve required by the Canadian and British Insurance Companies Act, and in my opinion, the reserve makes a good and sufficient provision for all unmatured obligations of The Commercial Life Assurance Company of Canada guaranteed under the terms of its policies.

Included in these reserves is an increase of \$26,858 resulting from the revaluation of one category of policies in the Non-Participating section.

G. R. WALLACE, B.A., F.S.A.

Toronto, Canada,  
February 5, 1964.

## COMPANY OFFICES



### HEAD OFFICE

1303 Yonge Street, Toronto, Ontario

### Branches

#### MARITIMES

HALIFAX

5670 Spring Garden Road  
G. M. CONNOR

#### ONTARIO

BARRIE

91 Letitia Street  
T. PROCEE

HAMILTON

370 Main Street East  
J. R. MILLER

KITCHENER

277 King Street West  
H. O. W. LOECK

LONDON

1472 Dundas Street  
K. L. FARQUHAR

OTTAWA

309 Cooper Street

SUDBURY

45 Elm Street East  
J. L. GAINER

TORONTO

1303 Yonge Street  
G. CASPARY  
A. J. ELLISON  
4 Finch Ave. W.  
R. HEEMSBERGEN

WILLOWDALE

#### ALBERTA

CALGARY

1147-17th Avenue S.W.  
W. W. DRAPER

EDMONTON

11645 Jasper Avenue

#### BRITISH COLUMBIA

VANCOUVER

1896 West Broadway  
A. C. MUSSELLAM, C.L.U.





**THE COMMERCIAL LIFE ASSURANCE COMPANY OF CANADA**

1303 Yonge Street • Toronto 7, Ontario